

REQUESTOR NAME: **BCOAPO *et al.***  
INFORMATION REQUEST ROUND NO: **1**  
TO: **FortisBC Energy Inc**  
DATE: **May 11, 2017**  
APPLICATION NAME: **FortisBC Energy Inc. – 2016 Rate Design Application**

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## **1.0 CHAPTER 1 – OVERVIEW**

Reference: 1.3 Table 1.1 (Table 12-3) / 12.1.4

- 1.1 Please explain why FEI has chosen to move Rate 22 to 100% R/C ratio as opposed to 110% which is within the stated band of reasonableness?
- 1.2 Please amend Table 1.3 (Table 12-3), Table 12-1 and Table 12-4 to show the revenue adjustments if Rate 22 were moved to the 110% level.
- 1.3 The SENTIS survey explains that the Basic Charge “includes the first 2GJ (gigajoules per month of a customer’s natural gas consumption” (see page 18 of SENTIS summary slides ). How did FEI derive the 2GJs included in the basic charge? If the amount of volume included in the basic charge was increased to 4GJ, how much would the variable charge change to remain revenue neutral overall? If the amount of volume included in the basic charge was decreased to 0GJ, how much would the variable charge change to remain revenue neutral overall?

## **2.0 CHAPTER 2 – APPROVALS SOUGHT**

2.1 Reference: Exhibit B-1, Section 2.3, pp. 2-1 / Table 1-1

- a) Please explain how the allocated costs for the four rate schedules which are not addressed in this application ( RS 30, RS 36, RS 46 and RS 50) are impacted by the updated cost-allocation study. For example, at pages 5-6 it explains how RS 46 may be amended, however costs for these rates must still be allocated to the various classes. Does the updated cost-allocation study result in changes to the R/C ratios for these classes?
- b) Please explain how bypass customers are allocated costs in the updated cost-allocation study.

## **3.0 CHAPTER 3 – BACKGROUND AND REGULATORY HISTORY OF FEI’S RATE DESIGN**

3.1 Reference:

- a) For each customer class please provide a description of the metering technology in place (e.g. percentage of mechanical/smart, automated read/manual read etc.).

- b) What plans (if any) does FEI have to introduce new metering technologies to any of its rate classes over the next 5 years.

#### **4.0 CHAPTER 4 – STAKEHOLDER ENGAGEMENT**

- 4.1 Reference: Residential Customer Survey: Exhibit B-1, Section 4.6.1, pp. 4-6 to 4-7; Section 7.4.5, p. 7-16; Appendix 4-5 FEI survey methodology and scope

On page 11 of the SENTIS survey under the title of Perceptions of the Impact of Different Rate Structures the following statement is made:

*“ Approximately equal percentages of FEI customers believe that the flat rate structure and the inclining rate structure will minimize the subsidy of low use customers and even out natural gas consumption.”*

- a) Please provide any survey script that was used to explain to respondents how or if the current rate structure subsidizes low-use customers.
- b) Did SENTIS survey respondents as to their preference for an increase in the fixed charge vis-à-vis an equivalent (revenue neutral) increase in the variable rate?
- c) Was any relationship between inclining/declining block rate and changes to the fixed charge explained to customers? If so please explain how and what questions were used to survey their preference as between the potential introduction of inclining or declining block rates and the proposed change to the fixed rate.

#### **5.0 LEGAL CONTEXT, RATE DESIGN PRINCIPLES AND GOVERNMENT POLICY**

- 5.1 Reference: Section 5.4.1/pg. 5-4

- a) FEI states that a significant impact of government policies on FEI’s rate structure relates to the maintenance of the Basic Charge such that all increases were made to the volumetric Delivery Charge. Since the setting of the 2010-2011 Revenue Requirement what changes in Government Policy has FEI observed which would support the proposed increase in the Basic Charge?

#### **6.0 COST OF SERVICE ALLOCATION STUDY**

- 6.1 Reference 6.3.1.7 /NGT program

- a) Please provide the rationale for classifying NGT program costs as demand and customer related as opposed to energy related.

- b) What is the proportion of demand vs. customer related assigned costs?
- c) What are the assignable costs of the NGT program in 2016?
- d) What were the revenues of the NGT program in 2016?

6.2 Reference: 6.3.2.3/Tilbury Expansion Project; 6.3.4.3

- a) Please provide the rationale for levelizing the costs of the Tilbury Expansion project but not doing so for the Lower Mainland or Coastal Transmission projects.
- b) What would be the adjustment/impact of treating Tilbury Expansion in a like manner as the other two projects?
- c) Are any of the Tilbury Expansion Project costs assigned to the residential class? If so, what amounts and what is the rate impact?

6.3 Reference 6.3.3/Summary of COSA Methods

- a) What (if any) impact does the elimination of SCP as a separate function have on costs allocated to the residential class?

6.4 Reference 6.3.4.4/Table 6.9

- a) What are the respective allocations to the residential class of allocation methods Option A and B for the Mt. Hayes facility?

6.5 Reference: 6.3.6/pg. 6-23:24

- a) FEI has assigned a 100% load factor to RS 6 (NGT/V) based on its observation that the load is not heat sensitive. Are there any other reasons which would indicate a 100% load factor for this customer class?
- b) If FEI were to assign RS 6 a load factor of its highest load factor class (RS 25 @ 55%) what impact would this have on the RS 6 rate?

6.6 Reference 6.3.6.1 Customer Weighting /Appendix 6-8

- a) Appendix 6-8 appears to show only the customer weighting tables (summarized at 6.3.6.1). Has FEI filed the Customer Weighting Study as part of this Application? If not, please do so.
- b) Have the customer weighting factors shown in Table 6-15 changed since the last cost allocation study? If yes please provide a comparison of the historical weightings with an explanation as to any adjustments being proposed.

6.7 Reference 6.3 Table 6-16

- a) Please amend Table 6-16 to show the total and percentage total columns under the prior cost allocation methodology.

## **7.0 RATE DESIGN FOR RESIDENTIAL CUSTOMERS**

7.1 Reference: 7.3.1

- a) FEI states that “some rate design options (*such as declining block rates*) may have economic justification but are not in line with government policies and, as such are not pursued by FEI”. Please explain the principle as to why declining block rates would be counter to government policy but increasing basic (fixed) charges would be congruent with government policy.
- b) Given government policy with respect to greenhouse gas emissions why would inclining/inverted block rates not be desirable?

7.2 Reference: 7.2.3

- a) Are there any long-run cost implications are for FEI system cost if UPC continues to decline? If so, what are they?
- b) Does the declining UPC have any impact on peak demand of the residential class (i.e. is there any relationship between average and peak consumption)?

7.3 Reference: 7.4.2

- a) Did FEI review Avista’s use of inverted block rates? If yes please provide the results of that analysis.
- b) Did FEI’s review of distribution rate structures include electricity utilities? Has FEI reviewed any inverted block rate pilots for example, like the Minnesota IBR? If yes, please provide a summary of the findings.
- c) Has FEI reviewed the use of inverted block rates by water utilities? If yes, please provide a summary of the findings.

7.4 Reference 7.4

- a) Is it possible under the flat rate structure to have cross-subsidies from customers with demands that are not peak-coincident to those with demands that are peak-coincident? If yes, how does FEI’s rate design proposal deal with this problem within the residential class?

7.5 Reference: 7.5.3

- a) While FEI provides qualitative analysis as to how it determined a proposed 5% increase in the Basic Charge, no quantitative analysis is provided. What quantitative analysis was done to determine the impact of the 5% increase in the Basic Charge on consumption and affordability?
- b) Since an increase in the Basic Charge leads to revenue stability (i.e. less reliant on consumption/weather) how does FEI intend to adjust its rates of return recovered in rates to account for the resulting lower business risk?

7.6 Reference: 7.6 Jurisdictional Comparisons of Rates

- a) Please provide a table derived from Figure 7-10 which shows the number of gas customers served by each utility in the residential (or equivalent) rate class and showing whether that utility uses flat or declining block rates.
- b) Based on number of natural gas customers served (from above) what is the proportion of customers served under flat rate vs declining block structures?
- c) Please add a column to the table requested in a) above which shows the Basic (fixed) charge for each utility's residential (or equivalent) class.

7.7 Reference: Appendix 4-4 Marginal Cost Study

- a) If the cost of gas were included in the marginal cost study would this change the results (i.e. would the marginal cost still be below the embedded cost)?
- b) The study makes the statement that the marginal cost of \$3.77 (corrected to \$3.37) reflects a medium time frame. What time period is "a medium time frame"? If the study were to consider long-run costs (i.e. long-time frame) might this significantly change the results of the study?

7.8 Reference: Appendix 6-1 EES COSA Study Report

- a) With respect to the jurisdictional review as shown in Table 4 – Distribution Mains. Please provide the customer and demand related percentages arising from Union Gas's minimum system study.
- a) What diameter pipe is used in the Union Gas minimum system study?

7.9 Reference: Appendix 6-1 EES COSA Study Report /pg.14

- a) At Table 9 EES notes that NGV related costs are assigned. Please clarify if this means all NG costs are directly assigned.
- b) Please comment as to the allocations of NGV costs of FEI as compared to Enbridge Gas Distribution.

7.10 Reference: Appendix 6-1 EES COSA Study Report pg. 18 / Elenchus Review of Fortis BC COSA

- a) The Elenchus Study notes that non coincident peak (NCP) is generally used to allocated distribution demand related costs. In response to Elenchus enquiries FEI provided an explanation which stated that there was *“very little difference between FEI’s CP (coincident peak) demand and the NCP demand.”* Does EES agree with FEI’s assessment as summarized at pages 17-18 of the Elenchus Report

## **8 RATE DESIGN FOR COMMERCIAL CUSTOMERS**

8.1 Reference: 8.3.3 Economic Crossover

- a) What was the reason for the initial establishment of the largely different Basic Charge as between RS 2 and RS 3 rate classes (as measured by either dollar or percentage of customer related costs)?

## **9.0 RATE DESIGN FOR INDUSTRIAL CUSTOMERS**

9.1 Reference: 9.6.2 General Interruptible Service

- a) Please provide a table for the years 2006 through 2016 which shows for the RS 7/27 customer class: the total number of customers in that year; the number customers curtailed; and the average length of curtailment; the dates of curtailment. Please show seasonal interruptible customers separately.

9.2 Reference: Table 9-19

- a) Please explain how the \$7,318,000 in avoided costs shown in Table 9-19 is derived.
- b) Would the residential class be impacted if there was a significant move by interruptible class customers to firm service? If so please explain why and what the impacts might be.

9.3 Reference: 9.6.3.2 Table 9-16/ 9.6.5 / Table 9-20

- a) Assuming 2016 actual use – what would be the incremental revenue had interruptible rates been based on a 10% discount (rather than the 17.3-18%) of firm service.
- b) FEI states that “*the value of the discount between the cost of firm and interruptible service has increased*”. Does this then argue for an increase in the interruptible rate?
- c) What study/survey has FEI made of its interruptible customers to try to understand the price elasticity of demand for this class of customers?

## **10 TRANSPORTATION SERVICE REVIEW**

10.1 Reference: 10.7.7

- a) What are the estimated incremental revenues from the revised load balancing policies?
- b) What are the estimated cost reduction in midstream resources if daily balancing and revised tolerances are implemented?

10.2 Reference: 10.7.4 /Table 10-7 & Table 10-2

- a) Are the charges listed in Table 10-2 intended to be set at rates that would recover the total replacement costs of balancing services as set out in Table 10-7? If not, should they be?
- b) Please provide an amended Table 10-2 which shows the current and amended transportation charges after the introduction of FEI’s load balancing proposals.

10.3 Reference: Appendix 10-1 Black & Veatch Transportation Service Model Review

- a) At page 2 of the Black & Veatch Review it states that balancing thresholds rarely exceed 10% and sometimes are as low as 0%. At page 6 it states that “*while balancing thresholds differ widely across LDCs, a 5% threshold is a fairly common “median” threshold often seen across the industry.*” Given this trend why is FEI not proposing median balancing threshold of 5%?
- b) What would be the impact on FEI mid-stream costs if transportation customers were required to daily balance within a 5% band?

10.4 Reference 10

- a) What is the estimated benefit to the RS 1 and RS 2 classes of the revised load balancing/tolerances proposal?

**11. RATE SCHEDULE GENERAL TERMS AND CONDITIONS**

11.1 Reference 11.1.2

- a) What is the current over-billing maximum refund period?
- b) Why is FEI proposing to change the period.

11.2 Reference 11.1.2.2 / Appendix 11 General Terms and Conditions

- a) Please explain how the Disputed Meter Testing (Meter Testing) fee is calculated
- b) Is the Disputed Meter Testing fee waived where the meter is found to be faulty?

11.3 Reference 11.1.2.2. Appendix 11

- a) What is the current actual rate of interest on cash security deposits.

11.4 Reference 11.1.2.2

- a) What was the revenue raised by late payment fees in 2016?
- b) What would that revenue have been if FEI used a late payment fee of 1% per month?

11.5 Reference: 11.

- a) What is FEI's winter disconnection policy?
- b) Does FEI waive or delay disconnection under extenuating circumstances? If so please provide the policies for disconnection waivers.
- c) What is FEI's reconnection charge (during and after hours)?

11.6 Reference: Appendix 11 General Terms and Conditions

- a) Section 6.3 revision states that “a security deposit **may be** returned to the Customer at any time...” (emphasis added). Why is FEI not required to return a deposit after 1 year provided a good payment history has been shown for the 1 year prior? What discretion is FEI seeking by the wording of this provision?
- b) Section 14.1 provides that FEI will have a right to entry for meter related purposes. Other than in the case of emergency (gas leak) what notice provision must FEI provide to the customer prior to seeking entry?

END OF DOCUMENT